

Study 10-2
Control of Strategic Exports to China and North Korea*TB*
United States1. Export ControlsOOOON and Unilateral2. Classes of Items Controlled

All items are denied, regardless of the strategic value, except news publications and motion picture films. *[Source: ACNP documents]*

All U.S. ships are prohibited from carrying cargo destined for China or from calling at a Communist Chinese port. No ship, regardless of registry, will be bunkered at a U.S. port if the ship is to call at a Chinese port. U.S. oil companies abroad are cooperating with the U.S. Government in enforcing these provisions.

3. Indications of Effectiveness of Controls

Certain amount of evasion and violation of U.S. export controls. *[In 1951, 31 charging letters issued by OFT for violations of U.S. export controls. 272 seizures/U.S. customs of illegal shipments (\$395,000) in first 11 mo. of 1951. Licenses suspended, revoked, or cancelled amounted to \$20.8 million dollars for first 11 months of 1951.—[Source: State to House, Doc. Tel #781, 26 December 1951 (Restricted).]* There is no way of knowing how much remains undetected.

There are no U.S. export controls exercised on shipments to Canada and some avoidance of U.S. controls has existed because of this situation. The magnitude of this, or whether it is continuing is not known, but since mid-1951, Canada has tightened its controls and this is probably not a serious situation at present.

4. Likelihood of Reshipment of Strategic Items

Shipments through the U.S. (in-transit or using the facilities of Foreign Trade-Free-Zones) require validated licenses for shipment to Communist China or North Korea. *[Source: ACNP documents]*

U.S. shipments abroad: Various arrangements with foreign governments to attempt to prevent illegal diversions of goods of U.S. origin from their stated destination. Some of these are: (a) Use of Foreign Govt. "assurance" against transshipment, (b) end-use checks, (c) use of import certificates where issued, (d) notice on bill of lading and commercial invoices of ultimate destination and prohibition against transshipment or division, (e) maintenance of a "Watch List" of known or suspected violators, both foreign and domestic.

These measures are quite effective in preventing most of the diversions of U.S. goods to China or North Korea, but in view of the fact that physical possession of the goods has passed from U.S. hands, there is some undetermined amount of transshipment which does take place. There are probably two situations worth noting in this regard. The Free Ports of the world and U.S. firms with subsidiaries abroad provide

opportunities for unscrupulous opportunists to avoid U.S. export controls.

5. Special Measures Applicable to Hong Kong and Macao.

Special licensing criteria to prevent U.S. goods from being transhipped to China or Far Eastern USSR.

6. Comparison with Measures Applicable to Soviet Bloc in Europe.

Some non-strategic goods may be shipped to the Soviet Orbit, but none (with very minor exceptions) may be shipped to China.

7. General Remarks.

In general, U.S. controls are quite comprehensive and seem to be fairly well enforced, particularly in the U.S. There are some transhipments and diversions of goods of U.S. origin, but these are not the rule, by any means.